

Message Text

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PAGE 01 JIDDA 05505 221031Z

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SUBJ: AMBASSADOR AKINS' TRAVEL; SPEECH TOPICS

REF : A. JIDDA 5379; B. STATE 202576

1. THE FOLLOWING SUBJECTS WILL BE COVERED IN THE VARIOUS
SPEECHES AMBASSADOR AKINS WILL MAKE IN THE STATES. THE
PRECISE MAKEUP WILL VARY WITH THE AUDIENCE; I.E., ALL
SUBJECTS WILL NOT BE COVERED IN ALL SPEECHES:

A. REVIEW OF PAST AND PRESENT PREDICTIONS ON OIL SUPPLY
AND DEMAND. SPECIAL EMPHASIS ON SAUDI ARABIAN OIL RE-
SERVES;

B. U.S. ENERGY NEEDS AND PROJECT INDEPENDENCE. THE
AMBASSADOR HAS A PATERNAL FEELING TOWARD PROJECT IN-
DEPENDENCE AND INTENDS TO PUSH IT IN ALL ITS ASPECTS.
(IF THERE ARE PARTICULAR POINTS THE DEPARTMENT WANTS
TO EMPHASIZE, MR. ATHERTON COULD INFORM THE AMBASSADOR
SEPT 27);

C. CURRENT SAUDI ARABIAN INCOME AND CURRENCY RESERVES;
PROJECTIONS THROUGH THE DECADE;

D. SAUDI ARABIAN FOREIGN AID PROGRAMS;

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PAGE 02 JIDDA 05505 221031Z

E. ARAB INVESTMENT IN THE UNITED STATES; WHY IT SHOULD

BE ENCOURAGED; U.S. CAPITAL NEEDS AND ARAB CAPITAL ACCUMULATIONS;

F. THE NEW U.S.-SAUDI RELATIONSHIP. WHY IT WAS SET UP. WHAT BOTH SIDES HOPE TO ACCOMPLISH. WHAT HAS BEEN DONE ALREADY;

G. SAUDI ARABIAN DEVELOPMENT PLANS. REFINING IN THE COUNTRY; PETROCHEMICAL PLANTS; FERTILIZER INDUSTRY; ENERGY INTENSIVE INDUSTRIES; NON-LHYDROCARBON RELATED CONSUMER INDUSTRIES;

H. THE ULTIMATE SWITCH TO NEW ENERGY FORMS: SOLAR AND NUCLEAR. SAUDI REALISM ON NUCLEAR ENERGY; NECESSITY OF TRAINING SCIENTISTS AND TECHNICIANS WITH CONSTRUCTION OF NUCLEAR GENERATING PLANTS MUCH LATER;

I. SAUDI POSITION IN OPEC. REASONS FOR SAUDI DESIRE TO LOWER OIL PRICES. SAUDI STRENGTH AND WEAKNESSES IN DEALING WITH OTHER OPEC COUNTRIES; SAUDI ACCOMPLISHMENTS.

J. AMERICAN BUSINESSMEN'S PROBLEMS IN DEALING WITH SAUDI ARABIA. THE AGENT. SAUDI ARABIAN INSISTENCE ON FIRM PRICE OFFERS AND FAULTY U.S. PRICE DATA GIVEN TO THE SAUDIS. LACK OF U.S. RESPONSIVENESS TO SPECIFIC SAUDI DESIRES AND REQUESTS. DIFFICULTIES OF AMERICANS WORKING AND LIVING IN SAUDI ARABIA.

2. THE AMBASSADOR DOES NOT INTEND TO TALK ABOUT POLITICAL DEVELOPMENTS IN THE MIDDLE EAST OTHER THAN TO SAY THAT WE STRONGLY HOPE SECRETARY KISSINGER'S PEACE EFFORTS WILL SUCCEED. IT IS VITAL FOR THE U.S. AND EUROPE AS WELL AS FOR COUNTRIES OF THE MIDDLE EAST THAT HE DOES SUCCEED.

3. ON THE QUESTION OF OIL PRICES AND TRENDS HE WILL SAY THAT THE CURRENT PRICES ARE TOO HIGH, THAT THE WORLD CANNOT AFFORD TO PAY THEM, THAT IT IS DIFFICULT TO SAY WHAT A "FAIR" PRICE FOR OIL IS, BUT WHAT IS CLEARLY IMPOSSIBLE FOR THE WORLD TO ACCEPT HAS BEEN THE SPEED OF THE INCREASE IN PRICES. HE WILL SUGGEST THAT A "REASONABLE" LIMITED OFFICIAL USE

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PAGE 03 JIDDA 05505 221031Z

PRICE FOR OIL, GIVEN ITS SPECIAL QUALITIES AND GIVEN THE COST OF ALTERNATIVE FORMS OF ENERGY, WOULD APPEAR TO BE AROUND \$7.50 IN 1974 DOLLARS. THIS IS CONSISTENT WITH HIS FREQUENT EARLIER STATEMENTS THAT THE PRICE IN 1980 WOULD BE AROUND \$5.00 A BARREL IN 1970 DOLLARS. WHEN ASKED (AS HE WILL BE) WHETHER HE SEES ANY HOPE OF REDUCING THE PRICES OF OIL THAT MUCH, HE WILL REPLY THAT PRICES MUST RPT MUST BE REDUCED IF THE WORLD IS TO AVOID SERIOUS

ECONOMIC HARDSHIP. HE WILL MAKE NO RPT NO PREDICTION ON WHETHER THEY WILL RPT WILL BE REDUCED. (FYI: WE HAVE NOTED FREQUENT RECENT U.S. PREDICTIONS OF IMMINENT COLLAPSE IN OIL PRICES. THIS IS INTERPRETED BY OPEC AS A CHALLENGE AND ALMOST GUARANTEES THE OPPOSITE EFFECT. IF PRICES CAN BE KEPT STABLE, AND IT NOW SEEMS INCREASINGLY DIFFICULT EVEN TO DO THIS, INFLATION IN A FEW YEARS WOULD BRING THE PRICE DOWN TO THE HYPOTHETICAL \$5.00 A BARREL IN 1970 DOLLARS. WE STRONGLY URGE THAT THE LINE TAKEN WITH YAMANI WHEN HE IS IN WASHINGTON BE THAT THE WORLD WANTS AND NEEDS IMMEDIATE PRICE RELIEF; THAT THE MOST IT WILL BE ABLE TO TOLERATE WOULD BE PRICE STABILITY IN CURRENT DOLLARS, COUPLED WITH OPEC LOANS AND INVESTMENT IN CONSUMING COUNTRIES.)
AKINS

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